

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AF-10 ARA-10 EA-10
EUR-12 NEA-11 OIC-02 CTME-00 JUSE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
-----039797 191302Z /46

R 181431Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 9789
INFO AMEMBASSY BRUSSELS
AMEMBASSY HELSINKI
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PRAGUE
AMEMBASSY TEL AVIV
AMEMBASSY TOKYO
AMEMBASSY WARSAW

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BRUSSELS FOR USEEC

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, CA, IS, JA, EEC, IN, FI, PL
SUBJECT: GATT COUNCIL - MAY 17

REF: STATE 122238

1. GATT COUNCIL MET 17 MAY IN SHORT MEETING TO CONSIDER
FOLLOWING ITEMS:

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A. MASHREK AGREEMENTS -- PANEL REPORTS ON AGREEMENT
BETWEEN EC AND EGYPT, SYRIA, JORDAN AND LEBANON ADOPTED
WITHOUT COMMENT.

B. JAPAN IMPORT MEASURES ON THROWN SILK YARN -- WE
COMPLIMENTED PANEL ON ITS WORK. NO OTHER DELEGATION SPOKE
AND REPORT ADOPTED.

C. EC/CANADA DISPUTE ON ZINC AND LEAD -- CHAIRMAN OF PANEL (UKAWA) OUTLINED MAJOR FINDINGS OF PANEL. EC (LUYTEN), IN LENGTHY INTERVENTION, SAID THAT EC WILLING TO ACCEPT ADOPTION OF PANEL REPORT BUT THAT COMMUNITY WANTED TO GO ON RECORD CONCERNING SEVERAL "ABNORMALITIES" IN THE REPORT. LUYTEN'S MAJOR CRITICISM CONCERNED THE PANEL FINDING THAT THE EC CHANGE FROM A SPECIFIC DUTY TO AN AD VALOREM EQUIVALENT SHOULD HAVE BEEN BASED ON GLOBAL IMPORT STATISTICS IN THEIR RENEGOTIATIONS WITH CANADA. LUYTEN SAID THAT AS FAR AS HE COULD REMEMBER NEITHER THE EC NOR CANADA CONSIDERED GLOBAL STATISTICS IN THE RENEGOTIATION; THEY HAD USED AND WORKED ON THE BASIS OF BILATERAL STATISTICS. REPORT, THEREFORE, INTRODUCES AN ELEMENT ON WHICH THERE WAS NO DISAGREEMENT BETWEEN THE PARTIES CONCERNED. LUYTEN ADDED THAT A READING OF ARTICLE XXVIII:2 IMPLIES THAT NEGOTIATIONS SHOULD BE BASED ON BILATERAL TRADE AND TARIFF INCIDENCES RATHER THAN GLOBAL DATA. HE POINTED OUT THAT THIS FINDING HAS IMPORTANT IMPLICATIONS FOR FUTURE ARTICLE XXVIII NEGOTIATIONS CONCERNING THE CONVERSION OF SPECIFIC DUTIES TO AD VALOREM RATES. HE ALSO FOUND ODD, IN VIEW OF THE ABOVE CONCLUSIONS OF THE PANEL, THAT THE PANEL AGREED THAT CANADA COULD WITHDRAW ITEMS TO REESTABLISH AN EQUIVALENCE OF CONCESSIONS ON THE BASIS OF BILATERAL TRADE FLOWS. HE SAID THE EC DID NOT ACCEPT THIS CONCLUSION. LIMITED OFFICIAL USE

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CANADA, IN SHORT INTERVENTION, NOTED THAT THE EC DID NOT OPPOSE ADOPTION OF THE REPORT AND SUGGESTED THAT THE COUNCIL ADOPT IT. THE COUNCIL DID SO.

D. INDIAN AUXILIARY CUSTOMS DUTY -- INDIA EMPHASIZED THAT NEED FOR AUXILIARY CUSTOMS DUTY WAS TO OBTAIN REVENUE IN ORDER TO FINANCE AN EXPECTED 10 BILLION RUPEE GAP BETWEEN REVENUE AND EXPENDITURES. INDIAN DEL NOTED THAT ALTHOUGH EXCISE DUTIES HAVE INCREASED INDIA NEEDED AUXILIARY CUSTOMS DUTY FOR REVENUE PURPOSES. AS INSTRUCTIONS NOTED REFTEL HAVE NOT YET BEEN RECEIVED, WE REMAINED SILENT. NO OTHER DELEGATION SPOKE AND DRAFT DECISION ADOPTED BY COUNCIL. BALLOTS HAVE BEEN CIRCULATED TO CONTRACTING PARTIES, AND WE REQUEST AUTHORITY TO VOTE FOR EXTENSION OF WAIVER.

E. AGREEMENT BETWEEN FINLAND AND POLAND -- AFTER POLAND INTRODUCED AGREEMENT, EC RAISED USUAL QUESTIONS ABOUT APPLICABILITY OF POLISH TARIFF AND ITS INSIGNIFICANCE IN TRADE POLICY. LUYTEN SUGGESTED THAT WORKING PARTY COULD ALSO EXAMINE TARIFF AND NOTED THAT EC WANTS AN EXHAUSTIVE EXAMINATION OF THE AGREEMENT. WE SUPPORTED

THE SENTIMENTS EXPRESSED BY THE EC. COUNCIL ESTABLISHED
WORKING PARTY WITH FOLLOWING TERMS OF REFERENCE:

"TO EXAMINE IN THE LIGHT OF THE RELEVANT PROVISIONS
OF THE GENERAL AGREEMENT THE PROVISIONS OF THE AGREEMENT
BETWEEN FINLAND AND POLAND ON THE RECIPROCAL REMOVAL OF
OBSTACLES TO TRADE AND TO REPORT TO THE COUNCIL."

USUAL GATT PROCEDURES FOR WORKING PARTIES WILL BE FOLLOWED
WITH QUESTIONS ON THE AGREEMENT DUE IN THE SECRETARIAT
BY 30 JUNE. POLAND AND FINLAND WILL THEN HAVE SIX WEEKS
IN WHICH TO REPLY AND THE WORKING PARTY WILL MEET SOME-
TIME IN THE FALL.

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NEA-11 OIC-02 IO-13 CTME-00 JUSE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /169 W
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R 181431Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 9790
INFO AMEMBASSY BRUSSELS
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F. AGREEMENT BETWEEN FINLAND AND CZECHOSLOVAKIA --
EC QUESTIONED PARAGRAPH 3 OF REPORT WHICH INDICATED THAT
CZECHOSLOVAKIA NO LONGER MAINTAINED IMPORT RESTRICTIONS.
LUYTEN NOTED THAT CZECHOSLOVAKIA DECREE 326 OF 18 NOVEMBER
1975 OUTLINED LIMITATIONS ON IMPORTS FROM CAPITALIST
COUNTRIES AND THAT THIS WAS REFLECTED IN PARAGRAPH 28 OF
THE REPORT OF THE WORKING PARTY (L/4342). LUYTEN WON-
DERED IF PARA 3 OF REPORT REPRESENTED A CHANGE IN CZECH-
OSLOVAKIAN IMPORT RESTRICTIONS. CZECH DEL NOTED THAT
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DECREE 326 WAS IN EFFECT ONLY FOR 1976 AND HAD BEEN
REPLACED BY NEW DECREES IN 1977 AND 1978. THESE WERE
DECREES FOR THE OPERATION OF THE STATE ECONOMIC PLAN AND
CZECHOSLOVAKIA HAD NOT THOUGHT IT NECESSARY TO MENTION
THEM IN THE REPORT TO THE COUNCIL SINCE THEY DID NOT DEAL
WITH THE AGREEMENT BETWEEN FINLAND AND CZECHOSLOVAKIA.
THE EC ASKED FOR A COPY OF THE DECREE THAT REPLACED 326,
AND THE CZECH DEL PROMISED TO SUPPLY THE RELEVANT POR-
TIONS OF THIS DECREE THAT DEALT WITH TRADE MATTERS.
COUNCIL TOOK NOTE OF REPORT.

G. EXPORT INFLATION INSURANCE SCHEMES -- PRIOR TO
MEETING CANADA INDICATED IT COULD NOT ACCEPT REVISED
TERMS OF REFERENCE IN GENEVA 7484. CONSEQUENTLY COUNCIL
CHAIRMAN NOTED THAT BILATERAL DISCUSSIONS HAD NOT RESOLVED
QUESTION OF TERMS OF REFERENCE AND SUGGESTED THAT ITEM BE
CARRIED OVER TO A FUTURE MEETING OF THE COUNCIL. CANADIAN
DEL, IN SHORT INTERVENTION, STRESSED IMPORTANCE CANADIANS
ATTACHED TO MATTER AND AGREED THAT ITEM BE REFERRED TO
FUTURE MEETING. COMMENT: MISSION ASSESSMENT FOLLOWS
SEPTEL. END COMMENT.

H. ISRAEL - ADJUSTMENT OF SPECIFIC DUTIES -- EC
REPEATED ITS CONTENTION THAT THERE APPEARED TO BE NO
URGENCY TO EXAMINE THIS MATTER AND THOUGHT THAT COUNCIL
COULD LIMIT ITSELF TO ASKING FOR A CONTRIBUTION FROM THE
IMF. LUYTEN NOTED, HOWEVER, THAT THERE APPEARED TO BE
SOME SENTIMENT FOR THE ESTABLISHMENT OF A WORKING PARTY
ALONG THE LINES DISCUSSED AT THE PRIOR COUNCIL MEETING
AND INDICATED THAT EC WOULD NOT BLOCK FORMATION OF
WORKING PARTY, ALTHOUGH EC BELIEVED IT UNWISE TO DO SO AT
THIS TIME. SWITZERLAND, ISRAEL AND THE U.S. SUPPORTED
FOLLOWING TERMS OF REFERENCE:

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"TO EXAMINE THE MODALITIES FOR THE APPLICATION OF ARTICLE II:6(A) IN THE CURRENT MONETARY SYSTEM, TO CONSULT WITH IMF ON THIS MATTER UNDER THE PROVISIONS OF ARTICLE XV:2, AND TO REPORT TO THE COUNCIL."

EC SAID THAT IT DID NOT LIKE THE WORD "SYSTEM" AND PREFERRED THE WORD "SITUATION" SINCE SEVERAL OF THE CONTRACTING PARTIES HAD NOT ASSOCIATED WITH THE RULES WHICH COULD BE CONSIDERED TO FORM A SYSTEM. AFTER A SHORT EXCHANGE, WE AND OTHERS AGREED TO USE WORD "SITUATION" IN LIEU OF "SYSTEM," IT BEING CLEARLY UNDERSTOOD FOR THOSE CPS WHO HAD ACCEPTED THE IMF RULES THAT THE WORD "SITUATION" MEANT IN RELATION TO THESE RULES.

I. ISLAMIC CONFERENCE -- ISRAEL REMAINED SILENT ON THIS ITEM AND COUNCIL AGREED WITHOUT COMMENT TO INVITE ISLAMIC CONFERENCE TO CP SESSION AS OBSERVERS.

J. OTHER BUSINESS:

(1) CHILEAN COMPLAINT ON BARLEY MALT -- CHILE RAISED EC EXPORT SUBSIDIES ON BARLEY MALT AND NOTED THAT THREE UNSUCCESSFUL BILATERAL CONSULTATIONS HAD BEEN HELD SINCE MATTER WAS RAISED AT NOVEMBER 1977 COUNCIL. CHILE, THEREFORE, ASKED THAT SPECIAL PROCEDURES FOR DEVELOPING COUNTRIES UNDER ARTICLE XXIII BE INVOKED IN ORDER THAT DIRECTOR GENERAL LONG COULD USE HIS GOOD OFFICES TO ASSIST IN RESOLVING THIS DISPUTE. AS PER INSTRUCTIONS WE SUPPORTED CHILE AND STRESSED IMPORTANCE OF RESOLVING SUBSIDY PROBLEMS IN MTN. EC SAID IT WOULD NOT OBJECT TO REFERRING MATTER TO DG LONG. COUNCIL TOOK NOTE THAT MATTER HAD BEEN REFERRED TO DG LONG UNDER THE SPECIAL PROCEDURES FOR DEVELOPING COUNTRIES.

(2) URUGUAY - EXTENSION OF WAIVER -- URUGUAY POINTED OUT THAT ITS WAIVER FOR SURCHARGE WILL EXPIRE

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30 JUNE. URUGUAYAN DEL SAID THAT WAIVER HAS TRADITIONALLY BEEN EXAMINED BY BALANCE OF PAYMENTS COMMITTEE BUT THAT URUGUAY IS SEEKING OTHER WAYS TO REGULARIZE THIS MATTER. URUGUAY ASKED THAT ITEM BE PLACED ON AGENDA OF NEXT

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R 181431Z MAY 78
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COUNCIL FOR A DECISION.

(3) HONG KONG ARTICLE XXIII:2 COMPLAINT AGAINST
NORWAY -- SEE SEPTTEL.

(4) INDIAN REQUEST FOR STEEL INFORMATION -- INDIAN
DEL, UNDER ITEM OTHER BUSINESS, NOTED THAT THERE HAVE BEEN
PRESS STATEMENTS CONCERNING A POSSIBLE AGREEMENT IN THE
STEEL SECTOR AND ASKED IF THOSE PARTIES INVOLVED IN SUCH
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TALKS COULD ELABORATE. HIS REQUEST WAS GREETED BY TOTAL

SILENCE. BELIEVE WE SHOULD CONSIDER DESIRABILITY OF SOME
SORT OF RESPONSE AT NEXT COUNCIL MEETING. SORENSON

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Message Attributes

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Secure: OPEN
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TAGS: ETRD, CA, IS, JA, IN, FI, PL, GATT, EEC
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vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9ed0309b-c288-dd11-92da-001cc4696bcc
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